

Message Text

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SUBJECT: PROCUREMENT PRACTICES OF IDB AS PROPOSED FOR
NEW NON-REGIONAL MEMBERS

1. JAPANESE REP TO DAC HAS INFORMED DAC SECRETARIAT AND U.S. DELEGATION THAT JAPANESE GOVERNMENT (FINANCE MINISTRY) WISHES TO CONSIDER PROPOSED U.S. AMENDMENT TO PROCUREMENT PRACTICES PORTION OF IDB AGREEMENT TO BE SIGNED IN MADRID ON DECEMBER 17-19, 1974 IN DAC MEETING OF 12 DECEMBER. ACCORDING TO INFORMATION RECEIVED HERE, PRESENT DRAFT AGREEMENT WOULD BE AMENDED BY ADDITION OF THE FOLLOWING SENTENCE TO ARTICLE III, SECTION 9A, "PROVIDED, HOWEVER, THAT WITH RESPECT TO ANY INCREASE OF THE AUTHORIZED CAPITAL OR THE RESOURCES OF THE FUND, THE BANK, OR ANY MEMBER MAY PROVIDE THAT THE PROCEEDS OF LOANS MADE WITH FUNDS CORRESPONDING TO SUCH INCREASE, OR ANY PART THEREOF, SHALL BE SPENT IN THE TERRITORIES ONLY OF THOSE MEMBERS PARTICIPATING IN SUCH INCREASE UNDER THE TERMS AND CONDITIONS SPECIFIED BY THE BOARD OF GOVERNORS."

2. APPARENTLY THE JAPANESE CONSIDER SUCH AN AMENDMENT INCONSISTENT WITH AGREEMENT ON UNTYING TO MULTILATERAL
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ORGANIZATIONS REACHED BY DAC IN OCTOBER, 1973, THE

PERTINENT PORTION OF THE AGREEMENT BEING AS FOLLOWS:

"....THEY SHALL EXTEND THEIR OFFICIAL FINANCIAL DEVELOPMENT ASSISTANCE CONTRIBUTIONS PLEDGED HENCEFORTH TO MULTILATERAL INSTITUTIONS (AS LISTED IN DAC STATISTICS), FREE FROM PROCUREMENT AT LEAST IN THOSE COUNTRIES THAT ARE MEMBERS OR ASSOCIATED MEMBERS OF THOSE INSTITUTIONS OR ARE RECOGNIZED BY INSTITUTIONS CONCERNED AS SIGNIFICANT CONTRIBUTORS."

3. IT IS NOT CLEAR FROM OUR CONVERSATIONS WHY JAPAN IS CONCERNED WITH THIS MATTER TO EXTENT THEY WISH TO RAISE IT IN DAC FORUM. NOR ARE WE ADVISED AS TO WHETHER THIS ISSUE HAS BEEN SURFACED IN CONJUNCTION WITH DISCUSSIONS ON THAT PORTION IDB AGREEMENT SETTING FORTH RULES AND REGULATIONS FOR NON-MEMBER COUNTRIES. CAN ONLY ASSUME THAT THEY WISH TO HAVE WIDER FORUM IN VIEW OF THEIR HESITANCY ENTERING INTO ARRANGEMENT WHICH MIGHT BE CONSIDERED TO BE INCONSISTENT WITH PREVIOUS AGREEMENT.

4. IT SEEMS TO US THAT IT WOULD BE PREFERABLE TO AVOID DISCUSSION OF THIS MATTER IN DAC, IF POSSIBLE. IF MATTER COULD BE RESOLVED WITH JAPANESE OFFICIALS, WASHINGTON, THIS WOULD APPEAR TO BE PREFERRED COURSE OF ACTION. HOWEVER, WOULD APPRECIATE BACKGROUND ON SUBJECT AND RECEIPT OF INFORMATION TO ENABLE US TO DISCOURAGE INITIATIVE ON PART OF JAPANESE HERE IF THIS IS ALSO THE WISH OF APPROPRIATE PERSONNEL IN WASHINGTON CONCERNED WITH THIS MATTER.

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